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DELEGATION MISSION TO THE PEOPLE'S REPUBLIC OF CHINA

A REPORT

TO THE

UNITED STATES SENATE

BY

SENATOR THAD COCHRAN

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LETTER OF SUBMITTAL

U.S. SENATE,
Washington, D.C., December 20, 1982.

Hon. HOWARD BAKER,
Hon. ROBERT C. BYRD,
U.S. Senate,
Washington, D.C.

DEAR SENATOR BAKER AND SENATOR BYRD: I am pleased to submit this report on the trip I had the opportunity to lead to the People's Republic of China from October 11 through October 23, 1982. Senators Patrick Leahy and David Pryor also participated in the visit.

At the Majority Leader's request, we undertook this mission to engage senior Chinese officials in discussions of agricultural and trade issues. During our visit to Beijing we met with Vice Premier Wan Li, Agriculture Minister Lin Hujia, Vice Minister of Foreign Affairs Han Xu, and Vice Minister of Foreign Economic Relations and Trade Jia Shi. In Shanghai, the delegation met with local agricultural and trade officials, and toured the Port of Shanghai. Additionally, we visited a commune in each area.

Our trip reemphasized the importance the United States places on its trade relations with the People's Republic of China. We gained valuable insights into China's agricultural production, its position and potential as a world market, and its views toward the United States as a major trading partner. We had several opportunities to convey to Chinese officials the desire of the United States to expand agricultural trade on a predictable, long term basis.

We believe that our visit will help enhance the existing trade relationship between our two nations and lead to a better understanding of the issues that confront us as trading partners.

We are very grateful to you and your offices, as well as to Ambassador Hummel, the Embassy staff in Beijing, and the consular staff in Shanghai, for the valuable assistance in making our trip successful. In this report, we take the opportunity to discuss some of the highlights of this most enlightening and beneficial trip.

Sincerely,

THAD COCHRAN,
U.S. Senate.

REPORT OF THE SENATE DELEGATION MISSION TO THE PEOPLE'S REPUBLIC OF CHINA, OCTOBER 11-23, 1982

Purpose

Our delegation, consisting of members of the Agriculture Committee, welcomed the Majority Leader's request that we undertake an agricultural trade mission to the People's Republic of China. The delegation was officially hosted by the Chinese Minister of Agriculture, and we met with several senior Chinese government officials during the course of our visit.

The purpose of the trip was to examine:

the status of agricultural trade relations between the United States and the People's Republic of China, including existing barriers to trade;

the status of China's agricultural policies, production, and technology;

general agricultural and trade issues of mutual interest to both countries;

the performance of the Foreign Agricultural Service in reporting data and in expanding markets for U.S. agricultural commodities; and

the adequacy of appropriations to carry out the mandates of the Congress and the policies of the U.S. government.

The delegation takes the opportunity in this report to discuss some of the highlights of our trip.

CINCPAC Briefing

During a stopover in Hawaii on October 11, the delegation received a classified briefing on the Pacific Area Command (PACOM) at the Headquarters of the Commander-in-Chief Pacific (CINCPAC).

The Pacific Area Command is geographically the largest of the U.S. unified military commands. Its commander, Admiral Robert Long, the senior U.S. military officer in the Pacific, is responsible for virtually all military operations in an area of more than 100 million square miles, or roughly 50 percent of the earth's surface. The Pacific Command stretches from the west coast of the Americas to the east coast of Africa, and from the Arctic to Antarctica, encompassing both the Pacific and Indian Oceans. The Commander-in-Chief Pacific reports to the Secretary of Defense through the Chairman of the Joint Chiefs of Staff.

PACOM's mission is four-fold: to defend the United States against attacks through the Pacific Ocean area; to support and implement the national policies and interests of the United States; to discharge U.S. military responsibilities in the Pacific, Far East, South Asia, South-

east Asia, and the Indian Ocean; and to prepare plans, conduct operations, and conduct activities of the forces of the Pacific Command in consonance with directives from higher authorities.

CINCPAC normally exercises operational command of major combat-ready forces through his Army, Navy, and Air Force component commanders (Commander, U.S. Army Western Command (WESTCOM); [Commander-in-Chief U.S. Pacific Fleet (PACFLT)]; and Commander-in-Chief Pacific Air Forces (PACAF)), through the commanders of the established subordinate unified commands, and through the commanders of Joint Task Forces when established. These commanders are responsible to CINCPAC for accomplishing assigned missions and tasks.

The delegation's briefing was conducted by Lieutenant General J. T. Palastra, Deputy Commander in Chief Pacific/Chief of Staff, with Mr. John J. Helble, CINCPAC Political Advisory, Major General J. C. Pfantz, USAF, CINCPAC Director for Intelligence, and, Rear Admiral R. W. Chewning, USN, CINCPAC Director for Plans and Policy, in attendance. Discussion focused on U.S. military capabilities and strategic positioning in the Pacific area, Soviet military build-up and weapons testing in the region, the role of Japan in adding stability in the region, and recent activities in the Middle East.

The delegation found the briefing most useful and would recommend that other congressional delegations traveling to or from the Pacific area take advantage of the opportunity to be briefed by the top U.S. military personnel in the region.

AN OVERVIEW OF UNITED STATES-CHINA AGRICULTURAL TRADE

Bilateral trade between the United States and the People's Republic of China has increased dramatically since the normalization of diplomatic relations between our two countries in 1979. The value of trade doubled in 1979 and again in 1980. In 1981, United States-China trade totalled a record $5.5 billion, with the U.S. showing a $1.7 billion trade surplus. The U.S. was China's third largest two-way trading partner in 1981, after Japan and Hong Kong. China was the U.S.'s 15th largest two-way trading partner in that year.

Because a substantial portion of that trade involves agricultural commodities and products, agricultural trade has become and should remain increasingly important to both countries. The rapid growth of U.S. exports to China during 1978–80 was primarily due to a significant increase in agricultural sales. With agricultural sales only $64 million in 1977, they increased to $573.3 million in 1978, $990.2 million in 1979, and $2.21 billion in 1980. Sales declined slightly to $1.96 billion in 1981, and are expected to be $2.1 billion for 1982. Of total U.S. exports to China in each of the last five years, agricultural products accounted for 37.4 percent in 1977, 10.1 percent in 1978, 57.7 percent in 1979, 58.9 percent in 1980, and 54.5 percent in 1981.

In addition to being promoted by the normalization of diplomatic relations, this sudden rise in United States-China agricultural trade has been stimulated by trade and grain agreements, which provided the political and economic structure for a long-term approach by the Chinese to purchases of U.S. farm products. 1981 was the first year of the Sino-United States long-term grain agreement, which sets

annual sales at a level of at least 6 million tons, and permits additional sales up to 9 million tons without government approval. The agreement covers sales of wheat and corn. The agreement is scheduled to expire at the end of 1984, and will be the subject of renegotiation during 1983 and 1984.

China is the U.S.'s fifth largest market for total agricultural sales in 1982 and the largest for wheat. The U.S. has been China's major supplier of grain for three consecutive years. Of the total U.S. farm exports to China in 1982, 98.5 percent consisted of four basic commodities—wheat, cotton, corn, and soybeans. It is estimated that 5 percent of the 100 million U.S. farmland acres in production furnish crops for export to China.

For 1982–83, China's grain imports should reach record levels, possibly as high as 16 million metric tons from all sources. China's purchases of U.S. corn have increased in the last few months. Coarse grain imports from all sources are predicted to total 1.5–2 million metric tons this year. Actual wheat imports of 14 million metric tons are likely. China's cotton import estimate has been reduced from 2.2 to 1.8 million bales due to its record crop, higher than normal stocks, and the intent to export small quantities of cotton.

China's attitude toward agricultural trade is reflective of its view that the role of foreign trade in the development of China's national economy has been to facilitate and accelerate modernization to purchase unavailable or scarce raw materials, machinery, and equipment, to borrow modern technology through imports, and to make up for domestic production shortfall. The current leadership of China seems to recognize the important role that foreign trade and technology play in China's modernization process. This view prevails despite the long-standing Chinese policy of self-reliance, which has manifested itself over the years through the restriction and diversification of imports and foreign credits in order to avoid dependence. Today, China trades with more than 150 countries. Until 1960, almost 70 percent of its trade was with the Soviet bloc. However, non-Communist states now account for over 90 percent of China's trade.

Agricultural products have historically been an important part of China's exports, and, in recent years, of imports as well. Generally speaking, China has been a net exporter of farm commodities. Its major farm exports include rice, live animals, animal products, fruits and vegetables, tea, and spices. China became a net importer of food and agricultural commodities in 1980 for the first time since the early sixties. The largest portion of its imports is accounted for by three basic commodities: grains, cotton, and sugar. Its major agricultural exports to the United States include feathers and downs, licorice root, certain essential oils, bristles, tea, canned mushrooms, honey, and raw silk. In 1981, U.S. agricultural imports represented 16.4 percent of the total imports from China of $1.8 billion.

CHINA'S AGRICULTURAL POLICY AND PRODUCTION

China's agricultural policy is aimed at long-term self-sufficiency. The Chinese leadership has given agriculture top priority in China's plans for modernizing its economy, for the Chinese view increased agricultural productivity as the key to the evolution of a fully developed, more industrialized economy.

In commercial terms, "self-reliance" to the Chinese means that they place a priority on the increased cultivation of China's arable land, on the development of a communications and transportation infrastructure, and on the establishment of industrial capabilities that will support the construction of the socialist society envisioned by the Chinese leadership. China's goals for agriculture over the last thirty years have consistently been:

to raise per capita production and living standards;

to increase farm marketing to provide more supplies for urban residents, light industry, and exports; and

to maintain political security in rural areas.

To achieve these goals, China's agricultural policies have taken on the dual dimension of promoting both a socialist and a technical transformation of agriculture. The socialist transformation involves the strengthening of collective forms of ownership and gradually moving agriculture toward a system of nationally owned state farms similar to industrial firms. The technical transformation aspect includes ongoing infusion of modern technology and supplies of modern inputs. The Chinese view both elements as essential to the sustained growth of farm production and living standards.

In the past few years, China's agricultural goals have not changed, but its policies and approaches to achieve its goals have undergone revision. China's agricultural priorities have emphasized regional crop specialization, more balanced growth among agricultural sub-sectors, greater investment in science and technology, more reliance on material incentives, and less direct central control. These policies have shifted the emphasis to the technical side of agricultural development, thus opening the door for more U.S. trade activity to fill agricultural needs.

China's commitment to raise the standard of living and per capita agricultural production has manifested itself in the last few years in programs that increase the size of private plots and change the emphasis on the types of crops grown, especially toward more cash crops. This is especially important in light of China's vast population, just recently calculated at a little over one billion. China is trying to decrease imports of cotton, sugar, and oilseed products. Imported grain basically helps feed the coastal areas, and, thus allows the farm areas to concentrate on cash crops.

The delegation was interested in learning that the incentive system in agriculture has been experiencing success, which, ironically, has led to some problems in China's ordered societal structure. Under this system, an individual can keep, and sell, everything produced over one's quota. As might be expected, participation is extremely high. One result of this success story has been an overabundance of tobacco and other cash crops which peasants plant over their quotas and on private plots. Another result is that family planning disincentives are no longer so powerful, because working households have more money to spend and desire larger families to help work the land—to produce even more under the incentive program. A resulting increase in consumer goods is also apparent.

China's economy is dominated by agriculture, although only 11 percent of the land is cultivable. Practically all arable land is utilized

for crops. China is the world's largest producer of rice, potatoes, sorghum, millet, barley, peanuts, tea, tobacco, pork, cottonseed, and rapeseed.

China's agricultural sector has improved dramatically in the past 3–4 years. Based on official Chinese statistics, it also performed well in 1981. The gross value of agricultural output rose 5.7 percent (compared to a 1980 growth rate of 2.7 percent) to about $154.1 billion. Grain production rose 1.4 percent to 325 million metric tons, the second best grain harvest since 1949. China estimates that this year's grain crop will be close to the 1979 record of 332 million metric tons. Cotton production reached a record 2.97 million metric tons. Production of oil-bearing crops increased 33 percent, while forestry rose 4 percent. Animal husbandry and fishery activities grew by 6 percent over 1980 levels.

In discussions with various officials, the delegation congratulated the Chinese for their production accomplishments, of which they are justifiably proud.

UNITED STATES-CHINA AGRICULTURAL RELATIONS AND EXCHANGES

United States-China relations in the agricultural field have grown dramatically into a network of official and unofficial contacts and exchanges. The agricultural office in the Embassy in Beijing has established regular contacts with a broad range of Chinese agricultural organizations and officials and has set up a regular commodity reporting schedule.

In Beijing, the Chinese trading corporations and the U.S. agricultural office often exchange views informally, which has enhanced both sides' understanding of the other's marketing and grading requirements. For example, a working agreement has been signed which will lead to much closer cooperation between the Chinese Commodity Inspection Authority and the U.S. Federal Grain Inspection Service.

Additionally, cooperation between the two countries in agricultural science and technology exchanges is now in its fourth year. Scientist-to-scientist contacts have been established in a broad range of fields, and cooperative research activities are underway in five fields. Under these programs, the U.S. has gained limited access to Chinese germplasm, biological control methods, and directly obtained medicinal plant material in quantity. Procedures for exchanging biological control material have also been worked out and materials exchanged.

SUMMARY OF CURRENT ISSUES AND DISCUSSION TOPICS

In discussions with U.S. Ambassador Arthur Hummel and with several senior officials of the Chinese government, the delegation became aware of several significant issues which bear on United States-China agricultural trade relations.

The delegation learned that China intends to continue purchasing U.S. grain and, to a lesser degree, cotton. China's grain acreage is rapidly decreasing, while its productivity is rapidly increasing. Nevertheless, China will probably import from all sources a record 16 million metric tons of grain in 1982–83, over one-half from the U.S.

Cotton exports to China from the U.S. will probably continue to decrease due to a bumper Chinese crop this year, higher cotton stocks, increased imports from third world countries, and possible retaliation for U.S. treatment of Chinese textile exports. Cotton exports to China were down 53 percent in the first quarter of 1982. Minimal growth in U.S. soybean exports is projected. The general outlook for U.S. farm exports is slow, but steady growth.

Members of the delegation took every opportunity to impress upon the Chinese that the U.S. wants to be viewed as a reliable, dependable supplier of agricultural products. It was emphasized to our Chinese hosts in each meeting that the U.S. hopes that agricultural trade will continue to develop on a predictable, long-term basis, and that the United States-China Grain Agreement will be extended.

Of particular concern to the Chinese is the imbalance of trade with respect to the United States. The Chinese repeatedly emphasized the importance of curbing this imbalance and of expanding their exports to this country. China now enjoys a $5 billion worldwide trade surplus, a fact the delegation pointed out to our Chinese hosts.

Chinese officials also expressed concern over certain U.S. legislation and restrictions on exports and imports. Quota restrictions on Chinese textile exports, especially cotton items, are of major concern to them. Textile issues are complex and troublesome for both countries, and will be an increasingly difficult issue because Chinese exports are growing rapidly at a time when the U.S. domestic textile industry is seeking a more restrictive import policy due to the depressed market situation at home. A shop towel anti-dumping action was cited as a current issue of concern to the Chinese. Negotiations concerning the renewal of our bilateral textile agreement are currently underway. The current agreement expires on December 31, 1982.

Additionally, U.S. mushroom industry action against Chinese mushroom imports was pointed to as discriminatory against China. Since 1979, there has been a significant increase in mushroom imports by the U.S. from China to the extent that China now has 16 percent of the U.S. market. Market disruption and anti-dumping actions have been considered by the U.S. International Trade Commission.

Chinese officials also complained that the U.S. is too slow in making high-technology available to them, a transfer process which is hampered by U.S. export restrictions.

The Taiwan Relations Act, a major discussion topic during recent visits to China by Vice President Bush and Senate Majority Leader Baker, continues to present problems for the Chinese leadership.

While China is eligible for U.S.D.A. Commodity Credit Corporation export credit guarantees, there have been no requests for participation to date, despite many inquiries from U.S. exporters. China is not eligible, however, for Public Law 480 Title I credit sales due to its "unfriendly" designation as a communist country. However, as a result of recent Congressional action, it is the apparent intent of Congress that a change in existing legislation is unnecessary, and that the President is free to designate China as a "friendly country" under existing law.

The delegation also learned of the existence of certain physical barriers to trade, such as limited port and transportation facilities to receive and transport grain, and the lack of modern feed and livestock systems and corn processing facilities.

In meetings with several Chinese government officials, the delegation had the opportunity to discuss a wide variety of agricultural and trade issues of mutual concern to China and the United States. Specific discussion topics in each meeting are highlighted below.

MEETING WITH VICE PREMIER WAN LI

In his capacity as Minister in Charge of the State Agricultural Commission, Vice Premier Wan Li is also China's top agricultural official. The delegation had the opportunity to visit with the Vice Premier and discuss several issues with him in the Great Hall of the People.

Vice Premier Wan indicated that China intends to continue making wheat and corn purchases from the U.S. He stressed the need for maintaining strong relations and for nurturing and deepening our friendship and understanding to ensure world peace. He expressed pleasure at the Senate delegation's visit, which he said will promote understanding. Wan noted that he has been impressed with the friendliness of the American people in his visits to the U.S.

The Vice Premier briefly described China's agricultural policies, which focus on the diversification of agriculture by reducing the prior overemphasis on grain production. He noted great prospects for cooperation between our two countries in agriculture. Because China's agricultural policy to diversify is comparatively long-term, he said that China would continue to import U.S. grains and cotton. He noted a growing need for feed grains to support China's long-term policies of developing animal husbandry and improving China's diet. He also indicated that China would continue to purchase U.S. timber to help meet its goal of preserving forest resources.

The delegation expressed its hope that China will continue to count on the U.S. as a dependable supplier of agricultural commodities, that stability can be achieved in cotton purchases from the U.S., and that the United States-China Grain Agreement will be extended.

In response, Wan noted that China's grain import policy will not change and that extension of the Grain Agreement should be dealt with in negotiations scheduled for 1983 and 1984.

DISCUSSIONS WITH AGRICULTURAL MINISTER LIN HUJIA

The delegation's official host in China was Agricultural Minister Lin Hujia. Minister Lin, Vice Minister He Kang, and their colleagues and staff afforded the delegation outstanding hospitality and assistance during our visit. The delegation is especially appreciative for the warm reception and the attention to every detail provided by our gracious hosts. The opportunity for discussions with Minister Lin occurred prior to and during a banquet hosted by the Minister in the Great Hall of the People.

Minister Lin explained that China's agricultural policy is one of "self-sufficiency," and with that as their continued goal, they want to produce for themselves as much as possible. The Minister expressed pleasure with the progress China has made in agricultural production, and the delegation congratulated him on these accomplishments. Lin explained that the adjustment of land and resources away from grains into cash crops is now essentially complete, and that the production of cash crops now generally satisfies China's domestic demands.

Both Minister Lin and Agricultural Vice Minister He praised the efforts and benefits of the United States-China cooperative agricultural exchanges conducted under a science and technology agreement protocol.

Minister Lin also indicated that China will continue to import U.S. cotton and that grain imports would continue "for a long time." He noted that China is now an exporter of soybeans and cooking oil. With respect to cotton, he noted China's increased production, which has resulted in a reduction in cotton imports. He pointed out, however, that China does import cotton primarily to support its textile exports. In the context of China's interest in having an improved balance of trade with the U.S., he noted that if the U.S. wants its cotton exports to China to stabilize, the U.S. should be willing to provide an open market for China's textile exports.

MEETING WITH VICE MINISTER OF FOREIGN AFFAIRS HAN XU

Vice Minister Han Xu told the delegation that the Chinese plan to continue buying grain from the U.S. in the near future, but not forever. He pointed out that trade is a two-way proposition, and that he hopes the U.S. will increase its imports from China. He also raised concern over China's imbalance of trade with the U.S., and over restrictions placed on Chinese exports by the U.S. He expressed hope that both countries will make efforts to improve these problems and asked that this message be conveyed to the Senate.

Vice Minister Han was generally optimistic concerning United States-China relations. He cited the exploitation of Chinese oil reserves as one example of potential U.S. involvement in that country. He reported that sixteen companies are bidding for exploitation of those reserves, and that the president of Occidental Petroleum Company has scheduled a visit to China in the near future.

However, he raised two issues that he perceives as problemmatical to United States-China relations. First, he emphasized that while the Chinese are working for the continued development of United States-Sino relations, they are very concerned about the Taiwan Relations Act and whether the U.S. will implement the Joint Communique on Taiwan. He claimed that the actions of the U.S. are not in accord with the spirit and substance of the communique on normalized relations. He further noted that while the Chinese understand that abolition of the Taiwan Relations Act is not a simple matter, it, nevertheless, remains a "dark shadow in our relationship." Secondly, Vice Minister Han expressed the interest of the Chinese in increased technology transfer from the U.S. He indicated that speeding up this transfer of technology by the U.S. would "be better for both sides."

MEETING WITH VICE MINISTER OF FOREIGN ECONOMIC RELATIONS AND TRADE JIA SHI

In an exceptionally frank exchange with Foreign Economic Relations and Trade Vice Minister Jia Shi, the delegation learned of China's concerns about its trade relations with the U.S. Primarily, the Chinese are concerned over the continued imbalance in United States-China trade and over U.S. export controls, import restrictions, and legislation which they feel are discriminatory toward China.

Vice Minister Jia noted that China places great importance on its importing of grain, soybeans, cotton, and forest products from the United States. He expressed the hope that the problems between our two countries can be resolved, and stated his belief that the future for increased economic relations is bright.

However, the Vice Minister said that a continued state of imbalance in our trading relationship could affect further development of trade. He indicated that equality, self-reliance, and mutual benefits are China's chief goals in trade, and that the U.S. should give more consideration to economic balance in our trade relationship. He cited the cooperative efforts underway to exploit China's oil reserves as an example of an undertaking that is beneficial to both countries.

He particularly considers restrictions on exports and imports by the U.S. bad for China, and, in fact, discriminatory toward China. He claimed that in trade talks, the U.S. says it will liberalize its policies, but in reality does not do so. As examples of discriminatory action against China, he pointed out current anti-dumping actions on mushrooms and shop towels being exported to the U.S. China's view is that the U.S. should be willing to accept Chinese mushrooms, which represent a small amount of U.S. imports, in exchange for the large U.S. exports of wheat to China. He further expressed concern that, while the U.S. pushes agricultural exports, it does not export enough machinery, and even has restrictions on these exports.

The Chinese feel these policies and laws are discriminatory toward them and that they create artificial barriers to trade that will limit expanded two-way trade between the United States and China. They claim their open door policy to trade will not change, and that they are willing to expand trade relations. However, they are watching what attitude the U.S. will take, and hope that the U.S. will find ways to eliminate obstructions to two-way trade.

In response, the delegation conveyed its hope that China would continue to regard the U.S. as a reliable, predictable supplier of commodities. We expressed a desire to stabilize sales between the two countries, and especially to extend the Grain Agreement.

With respect to the balance of trade issue, it was pointed out that China now enjoys a sizeable positive balance worldwide—in excess of $5 billion—and that there has been a tremendous increase in Chinese textile exports to the U.S. in the last three years.

The delegation also discovered, and called to the attention of Chinese officials, that the United States and China use different methods to keep score of the balance of trade, and, thus, rely on different figures. Chinese figures indicated a balance of trade in favor of the U.S. totaling $2.9 billion in 1981. The U.S. calculation is $1.7 billion. The U.S.

Department of Commerce scorekeeps exports from their point of origin, regardless of any re-exports or additional country pass-throughs. China, on the other hand, counts its exports to Hong Kong, that eventually wind up in the U.S., as exports to Hong Kong. Another scorekeeping difference results from China's counting of its exports to the U.S. according to F.O.B. terms, while it scores U.S. exports to China based on C.I.F. This mode of calculation inflates U.S. export activity by 15–20 percent. The U.S. counts exports in both directions based on F.O.B. terms.

In view of the importance the U.S. places on its trade relationship with China, the delegation emphasized that the laws and policies of concern to the Chinese are not intended to impede overall trade with China. It was noted that the U.S. is in the process of attempting to remove China's "unfriendly nation" status, so that P.L. 480 credit sales may be available to China. It was also pointed out that many of the anti-dumping actions perceived by the Chinese as discriminatory are not U.S. government actions, but, rather, involve the rights and actions of U.S. companies. Additionally, it was noted that these actions and laws do not single out China, but are applied world-wide.

VISIT TO TWIN BRIDGES COMMUNE NEAR BEIJING

Escorted by Agriculture Vice Minister He Kang, the delegation visited the Twin Bridges Commune on the outskirts of Beijing. The delegation was informed that there are 50,000 communes in China. A commune is broken down into production brigades, which are comprised of production teams. There are 700,000 brigades and 6 million teams in all of China. Communes are devoted to agriculture, forests, industry, animal husbandry, culture, and education.

Twin Bridges Commune is basically devoted to a wide variety of agricultural activity. It consists of 7 production brigades and 62 production teams. Brigades are responsible for a section of the commune's activity, such as grain production, animal husbandry, poultry, cattle, fish, and pigs. Teams are responsible for specialized operations within a brigade.

The delegation visited the dairy farm, the duck and turkey farm, and the fish farm where gold fish are raised to be sold at home or abroad as pets. Farm machinery in the commune consists of 40 combines, 100 transplanters, 200 walking tractors, and 200 other vehicles such as trucks, cars, and carts. Farm work such as plowing and harvesting is mostly done mechanically, but transportation of farm crops and supplies is provided by animal and human power.

There are also 41 different industries in the commune, including some factories. 5,000 workers are involved in industrial jobs, which include the production of chemicals, pesticides, and pharmaceuticals; the building and repair of farm machinery; grain processing; clothing manufacturing; and the production of vehicle parts, cement, bricks, and tile.

The commune has 19 schools, of which 6 are high schools. There are 10,000 students enrolled, although some of those are from nearby areas outside the commune. The educational system is currently a 9-year program, but the commune is beginning to experiment with a senior high school system.

Medical care in the commune is provided at three levels, which together form the network of health care for the people. At the commune level, there is a 60-bed hospital. Each production brigade has a clinic and medical workers, and each production team has medical workers. The expense to each commune member for a full year's medical care under this system is one yuan (fifty cents).

VISIT TO THREE FORESTS COMMUNE NEAR SHANGHAI

Near Shanghai, the delegation visited the Three Forests Commune. Begun in 1959, the commune is 30 square kilometers (11.5 square miles) in size. For purposes of work, the commune is organized into 20 production brigades and 230 production teams. There are 12,000 households, representing a population of 42,219. The actual work force numbers 24,385.

Three Forests is a very prosperous commune. It has one of the highest incomes in China—as much as three times that of other communes. Consequently, the standard of living is higher at this particular commune. In 1981, its enterprises yielded 7.6 million yuan (U.S. $3.8 million) in profits.

An individual in the commune makes on the average of 398 yuan (U.S. $196) a year. Total average individual income of 686 yuan (U.S. $343) per year includes outside income from the sale of cash crops from private plots, and from small manufacturing activities such as the production of cotton tablecloths made at home in spare time. The average household in the commune brings in 1142 yuan (U.S. $571) per year. The delegation was interested in learning that the extra money in this commune means there is a great need for extra consumer goods such as bicycles, T.V.'s, and radios, not affordable by most Chinese.

Agriculture is the primary activity at Three Forests Commune, with 2,260 hectares (3,582 acres) in cultivation. 99 percent of the land in production is in irrigation, which is supported by 26 electric power pumping stations and 130 kilometers (81 miles) of pipe. The commune has 59 large tractors and 157 small tractors.

The commune's predominant crop is vegetables. It grows a wide variety of vegetables of the leafy and tubular type. These cash crops are sold under contract and marketed in Shanghai.

In 1981, the vegetable output was 66,000 pounds per hectare (163,020 lbs per acre). In 1982, production was up to 76,000 lbs per hectare (187,720 lbs per acre). The delegation inspected the vegetable processing activities which included a large pickling operation. Other crops raised by the commune include cotton, rice, melons, fruits, and herbs. Cotton production is at 58 kilograms per hectare (316 lbs per acre).

Additionally, all production teams and brigades have livestock, which include pigs, dairy cattle, and chickens. In 1981, the commune sold over 18,000 pigs, maintained 148,000 chickens which produced 224,000 kilograms (493,830 lbs) of eggs, and processed 12,500 kilograms (27,556 lbs) of milk.

The commune also operates 32 factories, most of which serve agriculture—the major activity of the commune. These enterprises maintain and make parts for agricultural machinery, and process food for marketing in nearby Shanghai. Manufacturing operations also make feed, clothes, and furniture.

The delegation visited the inspection and final processing operations of a cotton tablecloth and napkin manufacturing enterprise. Basic work on these products is actually done by commune members at home as a spare time activity. Final stitching, hemming, inspection and packaging are done by the manufacturing operation before the products are sent to market. This type of activity produces more income for the commune, while putting extra money in the hands of commune members who use this source to supplement their basic commune stipend.

Education is of great importance in the commune. All school aged children are required to attend school. There are three high schools, 20 elementary schools, and a nursery school which began operating just last year. The delegation enjoyed a visit to one of the elementary schools where the children performed a variety of songs and dances.

Medical care in the commune consists of a hospital, a clinic for each brigade, and medical workers for each production team. The commune also has a retirement system for those 65 and older. The collective provides the basic funds to support retired members of the commune. Cultural opportunities at Three Forests include movies, plays, and libraries at the brigade level.

TOUR OF THE PORT OF SHANGHAI AND DISCUSSIONS WITH CHEN YUHUA, DIRECTOR, SHANGHAI AGRICULTURAL BUREAU; CUI SHIFU, DEPUTY GENERAL MANAGER, SHANGHAI BRANCH, CHINA NATIONAL CEREALS, OILS, AND FOODSTUFFS IMPORT AND EXPORT CORPORATION; AND YUAN JIASHI, DEPUTY CHIEF, FOREIGN BUSINESS SECTION, SHANGHAI FOREIGN TRADE CORPORATION

The delegation was hosted on a tour of the Port of Shanghai, China's largest and busiest port. The port extends for approximately 30 kilometers along the Huangpu River to the Wusong Entrance—the confluence of the Huangpu with the Yangtze River. Ships serving the Port of Shanghai enter the Yangtze from the East China Sea.

The delegation was impressed with the size and number of shipping and industrial enterprises that form virtually a continuous chain of activity on both banks of the Huangpu from Shanghai proper to the entrance of the Yangtze River. The mixture of modern shipping activity with an occasional old-fashioned Chinese junk making its way among large commercial vessels painted an accurate picture of "the old and the new" in Shanghai's famous harbor.

In discussions with Chen Yuhua, Cui Shifu, and Yuan Jiashi, the delegation learned that the United States-China trade in the port of Shanghai has increased recently. The Chinese expressed the hope that exports to the U.S. will increase. Shanghai's major exports include shoes, sports equipment, and textiles. The officials reported that U.S. wheat, corn, and soybeans will be in great demand in the future, depending on China's own production of these commodities. Shanghai imports a lot of U.S. cotton, but its textile exports are not yet at a level satisfactory to the Chinese.

Local officials expressed hope that the delegation will convey to the Senate the need to remove obstacles to China's textile exports to the

U.S. They pointed out that China needs to increase its paying ability, and that this can be achieved through increased Chinese production and exports. They also indicated that they do not feel the issue of importing Chinese textiles is related to U.S. unemployment.

In terms of worldwide trade, China exports large amounts of rice to Africa, Europe, and other Asiatic countries. There has also been an increase in recent years in the export of ships built in Shanghai. In the future, local trade officials are interested in exporting small machinery and chemicals manufactured in Shanghai.

The delegation conveyed its hope that the U.S. will be viewed as a reliable source of commodities, and acknowledged that U.S. imports from China will probably increase. It was pointed out that textile imports to the United States from China have dramatically increased in each of the last three years. The delegation also explained the need for protection of the U.S. textile industry, and expressed concern that U.S. cotton exports to China have decreased so rapidly in 1982.

Senator Paula Hawkins, who joined the delegation for the Shanghai talks, inquired about the new Chinese tariff schedule and how it might affect trade. Chinese officials explained that the new regulations will promote trade and cause no restrictions. They responded that customs regulations have nothing to do with prices from other countries, but, rather, are used for internal price distribution. The Chinese officials maintained that there will be no effect on United States-China trade. However, the delegation was informed by the U.S. Consulate General's Office that new protective tariffs have, in fact, been published, but details were unavailable.

In response to Senator Hawkins' inquiry as to the proper officials to contact when there are trade problems, the Chinese officials referred the delegation to the Foreign Trade Bureau in Shanghai and to the Shanghai branch office of the Department for Promotion of International Trade.

The delegation expressed concern that there are some physical barriers that inhibit United States-China trade, including the lack of adequate port, transportation, communication, storage, and corn processing facilities. For example, the channel at Shanghai is not deep enough to facilitate ships above 30,000 tons in weight. Those sized vessels, many of which carry U.S. commodities, must anchor in the Yangtze River near the mouth of the Huangpu River some 30 or more kilometers from Shanghai proper. Smaller craft are then required to transport shipments into the port itself.

Similarly, inadequate port, transportation, and processing facilities in Shanghai have had to cope with rapidly increasing shipments of U.S. grain. The delegation learned that 1–1.2 million tons of U.S. grain in 1980–1981, and 1.4–1.5 million tons of grain in 1982 entered the port of Shanghai, with even further increases expected in the years ahead. It was apparent to the delegation that port, processing, and transportation facilities will have to be improved and expanded to meet the demands of ever-increasing imports through the port of Shanghai.

Local trade officials informed the delegation that there are plans for Shanghai, as well as for other ports, for improving transportation and communications, and for dredging and expanding the port. However, details were not available.

The Chinese officials mentioned some problems they have encountered with shipments of U.S. commodities. Evidently, there were some U.S. shipments of corn and wheat which were below contract standards due to moisture content, impurities, and insect damage. Some shipments, however, were above specifications. In the case of insects, Shanghai importers were forced to bear the expense and burden of fumigation and disinfection. Officials also mentioned their continuing concern over TCK smut, a disease in wheat that causes the Chinese to refuse any shipment of wheat from Northwestern U.S. ports.

MARKET DEVELOPMENT ACTIVITIES: USDA FOREIGN AGRICULTURAL SERVICE AND U.S. COOPERATORS

The delegation was especially interested in efforts by the U.S. government and by U.S. private industry to promote trade between the United States and China.

USDA's Foreign Agricultural Service (FAS) has an agricultural trade officer assigned to Beijing. His office gathers production and marketing data, and helps stimulate and expand markets in China for U.S. commodities. FAS officials are particularly knowledgeable and helpful with respect to advising U.S. agricultural marketing concerns on how to do business in China and how to deal with the Chinese government's large, intricate bureaucracy.

A number of U.S. cooperator organizations also conduct market servicing and market development programs in China. These organizations are nonprofit producer, processor, and trade associations. Nine different cooperators currently conduct promotional activities on behalf of U.S. wheat, feedgrains, soybeans, livestock, cotton, and seed interests. Together with FAS, these cooperators are funding joint efforts costing more than $1 million annually to service and expand the Chinese market. The level of funding is expected to grow significantly during the next five years, especially as additional cooperators become active in the China market. Most of these efforts are long term and are aimed at improving China's utilization of imported commodities. Three cooperators—the American Soybean Association, the U.S. Wheat Associates, and the U.S. Feed Grains Council—have recently opened offices in Beijing.

In discussions with representatives of these three cooperator groups, the delegation was impressed with the steady progress being made in market expansion efforts. The U.S. Grains Council, for example, provides consultation to Chinese government and industry officials on feed mill engineering, feed formulation, swine breeding and management, and dairy management. The American Soybean Association sponsors exchanges of soy, oil, poultry, and swine technicians and management teams between the United States and China. The U.S. Wheat Associates' numerous activities include sponsoring a model instant noodle plant, a pilot flour mill, and a model demonstration bakery, as well as technical and training assistance related to these projects.

Conclusion

The People's Republic of China today trades with most of the world, and is certainly one of this country's increasingly important trading partners. Agricultural trade has become the mainstay of United States-China trade relations, with excellent potential for expanded agricultural trade between our two countries.

As evidenced by the net agricultural trade surpluses enjoyed by both countries, the United States and China supply each other, as well as numerous other nations, with important agricultural commodities. It is certainly in the best interest of both countries to continue striving to overcome obstacles to trade in order to foster further growth and development of our trade relations.

As a result of our trip, the delegation feels a renewed sense of importance concerning this nation's friendship and agricultural trade relations with the People's Republic of China. The valuable insights we gained, and, hopefully, the information and views we conveyed to our hosts, can only help enhance our existing trade relationship and lead to a better understanding of the issues that confront us as trading partners. It is certainly the recommendation of this delegation that the United States continue to foster and expand a trade relationship with China that is mutually beneficial to both countries.

APPENDIX

State Department Cable From U.S. Embassy in Beijing Regarding Delegation's Visit

Subject: Codel Cochran.

1. The visit of Senate Agriculture Committee delegation led by Senator Thad Cochran provided a very useful opportunity to impress upon senior Chinese officials the U.S. desire to expand agricultural trade relations on a predictable, long-term basis and to exchange views on general agricultural and trade issues.

2. During the October 15–17 visit to Beijing, the Senate Agriculture Committee delegation (which also included Senators David Pryor and Patrick Leahy) held meetings with Vice Premier Wan Li, Agriculture Minister Lin Hujia, Vice Foreign Minister Han Xu and Vice Minister of Foreign Economic Relations and Trade Jia Shi. In addition, the delegation was escorted by Agriculture Minister He Kang on a visit to a commune on the outskirts of Beijing.

3. In each of its meetings, Senator Cochran and the members of the delegation noted the committee's pleasure at the rapid growth of U.S.-PRC agricultural trade and emphasized the U.S. desire that this trade continue to develop on a predictable, long-term basis. Senator Cochran praised the grain agreement as a constructive framework for our grain trade which should be reviewed and extended before its 1983 expiration. Senator Cochran noted the wide fluctuations in China's cotton purchases from the U.S. and urged that a way be found to bring greater stability and predictability to the cotton trade.

4. In response to these points, Vice Premier Wan Li described China's post-third plenum agricultural policies which seek to diversify agriculture by reducing the prior overemphasis on grain production. Wan said that these were "comparatively long-term policies" and that consequently China would continue to import U.S. grains and cotton. Wan said that China's desire to develop animal husbandry and improve China's diet was also a long term policy which implied a growing need for feed grains. He noted also that China's policy of preserving its forest resources meant that China would continue to purchase foreign timber. Vice Premier Wan responded to the Senator's call to extend the grain agreement by reiterating that China's grain import policy would not change and that the question of extending the agreement should be settled through negotiations. Wan Li discussed China's need for advanced agriculture technology and praised the U.S.–PRC agricultural exchange program.

5. Agriculture Minister Lin repeated Vice Premier Wan Li's remarks about the long term nature of China's current agricultural policies and stated that grain imports would continue "for a long time." Minister Lin also commented on the Chinese desire to exploit their animal husbandry sector. He commented that the adjustment of land and resources away from grains into cash crops was now essentially complete and that the production of cash crops now generally satisfies domestic demand. With the expansion of its cotton crop, China has reduced its cotton imports. However, Lin said, China still does import cotton primarily to support its textile exports. Lin said that China seeks an overall balance in its agricultural trade. He went on to say that if the U.S. wishes to put its cotton exports to China on a stable basis, it should likewise provide an open market for China's textile exports.

6. Agriculture Vice Minister He and Minister Lin described at great length the U.S.-PRC cooperative agricultural exchanges, which are conducted under a science and technology agreement protocol, praising the benefits these programs had brought to both countries.

7. Vice Foreign Minister Han Xu reviewed overall U.S.-China relations for the delegation in standard terms. When asked what messages might be carried back to Washington, Han Xu focused exclusively on technology transfer. He said that if the Senators wished to see U.S.-China relations improve, they should endeavor to liberalize the flow of technology to China.

8. Vice Foreign Trade Minister Jia Shi frankly reviewed China's trade concerns mentioning: The continued imbalance in U.S.-China trade, which must be rectified if our trade is to develop constructively; U.S. export controls, which have not been significantly liberalized despite repeated U.S. affirmations that China is a friendly country; the multitude of U.S. import restrictions which Chinese exports to the U.S. now confront—textiles, mushrooms, etc.; and U.S. legislation that continues to discriminate against China. Nevertheless, Jia said he was hopeful these problems could be resolved and believed that the prospects for expanding economic relations were bright. Senator Cochran responded to each of the vice minister's points emphasizing overall the committee's desire to foster an expanding and mutually beneficial trade relationship.

9. Codel Cochran departed Beijing before this telegram was drafted. Senator Cochran asked that a copy of the cable be sent to the office of each of the Senators. Action requested: H please send copies of this cable to Senators Cochran, Pryor and Leahy.

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